

SEDRO-WOOLLEY SCHOOL DISTRICT No. 101
Skagit County, Washington
September 1, 1993 Through August 31, 1994

Schedule Of Findings

1. Payroll Charges To Federal Programs Should Be Based On Actual Time Worked

As also noted in the prior year's audit, payroll expenditures charged to the Department of Education's ESSIA Chapter 1 (CFDA 84.010) did not comply with federal regulations. Charges to the Chapter 1 program were based on budgeted rather than actual time worked. Adequate time and effort documentation existed for the employees tested; however, charges were not based on this documentation. We reviewed records for seven of the twenty-three employees who were required to complete time and effort reports for the Chapter 1 program in fiscal year 1994. Of those employees tested, we noted two instances in which the time charged to the program differed from the actual time worked as documented on the employee's schedules. The exceptions resulted in a net overcharge to the Chapter 1 program in the amount of \$71.72.

The U.S. Office of Management and Budget (OMB) Circular A-87, *Cost Principles Applicable to Grants and Contracts*, states in part:

Payrolls must be supported by time and attendance or equivalent records for individual employees. Salaries and wages of employees chargeable to more than one grant program or other cost objective will be supported by appropriate time distribution records. The method used should produce an equitable distribution of time and effort.

The new administrator for the Chapter 1 has made changes to allocate payroll charges to the Chapter 1 program based on actual rather than budget, however, these changes did not take effect until fiscal year 1995.

We again recommend that the district allocate charges to the Chapter 1 program based on actual rather than budgeted amounts.